

AIT (VP-SEC) 024E/2018

November 6, 2018

Subject: Management's Discussion and Analysis of Operating Results for Q3–2018

To: The President of The Stock Exchange of Thailand

Summary of Operations Q3 – 2018

	Balance by Quarter			Change			
	Q3–18	Q2–18	Q3–17	Q3–18 VS Q2–18		Q3–18 VS Q3–17	
	(Million Baht: MB)			(MB)	%	(MB)	%
Total Revenue	1,053.3	1,029.9	1,633.1	23.4	2.3	(579.8)	(35.5)
Total Operating Expenses	965.5	928.3	1,465.3	37.2	4.0	(499.8)	(34.1)
Profit for the period	61.8	72.1	123.4	(10.3)	(14.3)	(61.6)	(49.9)

In Q3–2018, the Company's total revenue was similar to Q2–2018 with a slight increase. Compared with the Q3–2017, the total revenue decreased significantly by 579.8 MB or representing a decreased of 35.5%, this is because the Company received quite a few projects from the governmental sector during year 2018 and those projects were also delayed.

In terms of total operating expenses will vary according to revenue of the company. Therefore, comparing the total revenue and total expenses between Q3–2018 and Q2–2018 and Q3–2017, it found that the change rate was decreasing in the same direction and very close ratio.

In Q3–2018, the Company's profit slightly decreased compared to Q2–2018, although the revenue of Q3–2018 will increase slightly. This is because the sale and administration expenses for Q3–2018 increased higher than those in Q2–2018. Compare to the profit in Q3–2018 and Q3–2017, it found that the decrease rate of profits was higher than the decrease rate of revenues due to some part of the selling and administrative expenses, which was a fixed cost that continues to occur even if the revenue was decreased. As a result, the profit in Q3–2018 decreased significantly compared to Q3–2017.

Operating Results and Capabilities to make Profit

Performance from revenues, costs and expenses which has significant impact in Q3-2018 can be shown in the following table:

	Balance by Quarter			Change			
	Q3-18	Q2-18	Q3-17	Q3-18 VS Q2-18		Q3-18 VS Q3-17	
	(Million Baht: MB)			(MB)	%	(MB)	%
Revenue from Sales & Service	1,006.7	968.6	1,572.9	38.1	3.9	(566.2)	(36.0)
Revenue from Rental equipment	32.8	41.2	44.9	(8.4)	(20.4)	(12.1)	(27.0)
Cost of Sales & Service	819.3	790.1	1,300.3	29.2	3.7	(481.0)	(37.0)
Selling expenses	48.7	38.0	56.3	10.7	28.2	(7.6)	(13.5)

Revenues and Costs of Sales and Services

The Revenue from Sales & Service had decreased significantly from Q3-2017, representing a decrease of 566.2 MB or 36.0%. This is because the delivered projects of the Company were relatively low value projects during Q3-2018 while, the public and private expenses had also slowed down. Therefore, the Company received fewer projects.

Cost of sales and services will vary according to sales. Consequently, comparing to the cost of sales and services for Q3-2018 and Q3-2017, it found that the decrease rate was similar to the decrease rate of the revenue. Therefore, the Company's sales decreased. As a result, the cost of sales and services decreased in the same way.

Revenue from Rental equipment for lease

In Q3-2018, the revenue from rental equipment for lease was decreased from Q2-2018 and Q3-2017. This is because the lease of IBM OTCA project had expired in early Q3-2018. Thus, revenue from rental for Q3-2018 was decreased.

Selling and Administrative Expenses

Selling Expenses in Q3-2018 was increased from Q2-2018, representing decrease of 10.7 MB or 28.2%, mainly due to the employee expenses and another expense which was a fixed cost that continues to occur even if the revenue was decreased.

Financial Analysis of the company

As of September 30, 2018, the Company has financial position that changed from its financial status as of December 31, 2017. The changes are described as follows:

Assets Items that has significant changes	Balance by Quarter		Change	
	Q3-18	Q4-17	Q3-18 VS Q4-17	
	(MB)		(MB)	%
Cash and cash equivalent	1,554.7	1,286.2	268.5	20.9
Trade receivables	1,526.6	2,297.0	(770.4)	(33.5)
Unbilled receivables	544.2	434.2	110.0	25.3

Assets Items that has significant changes	Balance by Quarter		Change	
	Q3-18	Q4-17	Q3-18 VS Q4-17	
	(MB)		(MB)	%
Short-term loan to related parties	-	18.0	(18.0)	(100.0)
Withholding tax	15.3	-	15.3	100.0
Other current assets	82.8	104.7	(21.9)	(20.9)
Investments in joint ventures	77.3	102.6	(25.4)	(24.8)
Equipment for lease	99.7	149.3	(49.6)	(33.2)
Total Assets	4,530.6	5,024.9	(494.3)	(9.8)

Assets

As of September 30, 2018, the Company's total assets decreased by 494.3 MB or decrease of 9.8% from December 31, 2017. The increase or decrease in total assets was from the following major changes:

Cash and cash equivalent in Q3-2018 decreased by 268.5 MB or decrease of 20.9%, mainly due to receiving payments from major accounts receivables which deducted the interim dividend payment, such as Netpracharat project that it had been completed. As the result, cash and cash equivalents increased.

Trade receivables decreased by 770.4 MB or decrease of 33.5%, due to receipt of receivables from the large project, such as Netpracharat project. As the result, trade receivables decreased.

Unbilled Receivables increased by 110.0 MB or increase of 25.3%, due to the maintenance service that had been recognized the revenue by the contract term but it is in the process of invoicing for contract billing.

Short-term loan to related parties decreased by 18.0 MB or decrease of 100%, due to Genesis Data Center Co., Ltd., which was joint ventures of the Company, had paid all of loans to the Company.

Withholding tax increased by 15.3 MB or increase of 100.0%. This is because the high withholding tax, caused by receiving a large amount of money from the trade receivables. Thus, the tax paid by the Company is higher than the calculated corporate income tax in Q3-2018. Therefore, the Withholding tax increased.

Other current assets decreased by 21.9 MB or decrease of 100.0%, due to the decrease in prepaid maintenance expenses, which those had decreased with the period of service.

Investments in joint ventures decreased by 25.4 MB or decrease of 24.8%, due to the recognition of share of loss from joint venture 's performance

Equipment for lease decreased 49.6 MB or decrease of 33.2%, due to the amortization of equipment for rent.

Liabilities Items that has significant changes	Balance by Quarter		Change	
	Q3-18	Q4-17	Q3-18 VS Q4-17	
	(MB)		(MB)	%
Trade and other payables	1,066.5	1,294.3	(227.8)	(17.6)
Long-terms loans, current portion	-	29.0	(29.0)	(100.0)
Income tax payable	-	24.8	(24.8)	(100.0)
Advanced receipts from customers	65.5	87.8	(22.3)	(25.4)
Total liabilities	1,829.0	2,153.4	(324.4)	(15.1)

Liabilities

As of September 30, 2018, the Company's total liability decreased by 324.4 MB or decrease of 15.1% from December 31, 2017. The decrease in total liabilities was from the following major changes:

Trade and other payables decreased by 227.8 or decrease of 17.6% due to payment of major trade payables. For example, Trade payables from the Netpracharat Project that will pay after receiving money from the trade receivables in the same project.

Long-terms loans, current portion decreased by 29.0 MB or decrease of 100.0%, due to repayment of long-term loans with maturity.

Income tax payable decreased by 24.8 MB or decrease of 100.0%. This is because it was according to the decreased of the Company's performance and the high withholding tax, caused by receiving a large amount of money from the trade receivables. Thus, the tax paid by the Company is higher than the calculated corporate income tax. Therefore, the income tax payable decreased.

Advanced receipts from customers decreased by 22.3 MB or decrease of 25.4%, due to the delivery of project, which received advanced receipt from customers. As the result, the advanced receipts decreased.

Shareholders' Equity

As of September 30, 2018, the Company had total shareholders' equity equals to 2,701.5 MB or a decrease of 170.0 MB from the date of December 31, 2017, which was equal to 2,871.5 MB, representing decrease of 5.9%. This is because the Company had paid the annual dividend payment in Q2-2018 and the interim dividend payment in Q3-2018 which deducted a profit from operations in the nine-month period of the year 2018.

Sincerely yours,

(Ms. Sarin Chandranipapongse)

Company Secretary

Authorized signature on behalf of the Company